

MUTUAL AID FUND TRUSTEES MEETING
Kauai Coconut Beach Resort
Saturday, June 19, 1999

A G E N D A

1. Call to order.
2. Roll Call. **[ROLL CALL]**
3. Approval of Agenda. **[AGENDA]**
4. Approval of Minutes for the February 19, 1999 meeting. **[MINUTES]**
5. Financial Reports (11/30/98 tp 4/30/99) **[ITEM #1]**
6. Income and Benefit Report (4/30/99) **[ITEM #2]**
7. Investment Report (12/31/98) **[ITEM #3]**
8. Audit (1/1/98 to 12/31/98) **[ITEM #4]**
9. Investment Advisor Fees. **[ITEM #5]**
10. Adjournment.

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**Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO**

**Financial Statements
December 31, 1998 and 1997**

Wachi & Watanabe, CPA, Inc.

900 Fort Street Mall, Suite 1550

Honolulu, Hawaii 96813

Phone: 536-4444

**Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO
Honolulu, Hawaii**

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7

Wachi & Watanabe, CPA, Inc.

A Professional Corporation
Certified Public Accountants

Stanley S. Wachi, CPA
Managing Director
Paul H. Watanabe, CPA
Senior Director
Anna M. Nofak, CA
Senior Manager

Independent Auditors' Report

Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO

We have audited the accompanying statements of financial position of Mutual Aid Fund Trust of United Public Workers, AFSCME, Local 646, AFL-CIO as of December 31, 1998 and 1997 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mutual Aid Fund Trust of United Public Workers, AFSCME, Local 646, AFL-CIO as of December 31, 1998 and 1997 and the result of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.



Honolulu, Hawaii
March 30, 1999

**Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO
Honolulu, Hawaii**

Statements of Financial Position

	<u>December 31, 1998</u>	<u>December 31, 1997</u>
Assets		
Current assets		
Cash and cash equivalents (note 1)	\$ 656,631	\$ 872,449
Accounts receivable - United Public Workers	16,579	17,236
Investment in marketable securities (note 1)	1,332,111	698,341
Note receivable (note 2)	250,000	-
Interest receivable	4,911	2,410
Prepayments	64	192
Total current assets	<u>2,260,296</u>	<u>1,590,628</u>
Other asset		
Software, net of accumulated amortization of \$35,750 in 1998 and \$27,917 in 1997 (note 1)	<u>3,750</u>	<u>11,583</u>
	<u>2,264,046</u>	<u>1,602,211</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	841	6,786
Claims payable	<u>20,020</u>	<u>21,090</u>
Total current liabilities	<u>20,861</u>	<u>27,876</u>
Net assets - Unrestricted	<u>2,243,185</u>	<u>1,574,335</u>
	<u>\$ 2,264,046</u>	<u>\$ 1,602,211</u>

**Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO
Honolulu, Hawaii**

Statements of Activities

	Year ended December 31, 1998	Year ended December 31, 1997
Unrestricted net assets		
Revenues		
Membership contribution	\$ 203,109	\$ 213,602
Interest income	38,448	40,478
Dividend income	8,770	11,682
	<hr/> <u>250,327</u>	<hr/> <u>265,762</u>
Expenses		
Claim payments (note 3)	189,250	208,680
UPW administrative service fees (note 5)	24,000	24,000
Investment advisory fees	5,700	5,000
Professional fees	5,000	4,792
Hardware support	198	-
Software support	840	6,062
Bank service charges	44	25
Printing	200	-
Office expenses	76	577
Amortization of software (note 1)	7,833	8,167
Insurance expense	128	128
Repairs and maintenance	-	2,044
Coding and scanning	539	<u>16,675</u>
	<hr/> <u>233,808</u>	<hr/> <u>276,150</u>
Increase (decrease) in unrestricted net assets before gain (loss) on investments	<hr/> <u>16,519</u>	<hr/> <u>(10,388)</u>
Gain (loss) on investments		
Realized gain on sale of securities	176,519	78,687
Unrealized gain (loss) on securities (note 1)	<hr/> <u>475,812</u>	<hr/> <u>(18,023)</u>
	<hr/> <u>652,331</u>	<hr/> <u>60,664</u>
Increase in net assets	<hr/> <u>668,850</u>	<hr/> <u>50,276</u>
Net assets at beginning of year	<hr/> <u>1,574,335</u>	<hr/> <u>1,524,059</u>
Net assets at end of year	<hr/> <u>\$ 2,243,185</u>	<hr/> <u>\$ 1,574,335</u>

**Mutual Aid Fund Trust
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Honolulu, Hawaii**

Statements of Cash Flows

	Year ended December 31, 1998	Year ended December 31, 1997
Cash flows from operating activities:		
Increase in net assets	\$ 668,850	\$ 50,276
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization of software	7,833	8,167
Gain on sale of marketable securities	(176,519)	(78,687)
Unrealized (gain) loss on marketable securities	(475,812)	18,023
(Acrease) decrease in operating assets:		
Accounts receivable	657	1,384
Interest receivable	(2,501)	(1,157)
Prepaid insurance	128	128
Increase (decrease) in operating liabilities		
Accounts payable	(5,946)	5,973
Claims payable	(1,070)	(15,480)
Net cash used by operating activities	<u>15,620</u>	<u>(11,373)</u>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	1,831,644	1,013,056
Purchase of marketable securities	(1,813,082)	(1,091,513)
Increase in note receivable	<u>(250,000)</u>	-
Net cash used by investing activities	<u>(231,438)</u>	<u>(78,457)</u>
Net decrease in cash	(215,818)	(89,830)
Beginning cash	<u>872,449</u>	<u>962,279</u>
Ending cash	<u>\$ 656,631</u>	<u>\$ 872,449</u>

**Mutual Aid Fund Trust
United Public Workers,
AFSCME, Local 646, AFL-CIO
Honolulu, Hawaii**

**Notes to Financial Statements
December 31, 1998 and 1997**

Note 1- Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash, certificates of deposits and U.S. Treasury bills purchased with maturity dates of 90 days or less. Treasury bills are recorded at amortized cost. Amortized discounts are credited to interest income.

Cash and cash equivalents are composed of the following as of December 31:

	<u>1998</u>	<u>1997</u>
Cash and Certificates of Deposits	\$ 656,631	\$ 374,937
U.S. Treasury bills - face value	-	500,000
Unamortized discount	-	(2,488)
	<u>\$ 656,631</u>	<u>\$ 872,449</u>

Investments

Marketable securities consist of investments in common stocks and are carried at fair market value.

Investments are composed of the following as of December 31:

	<u>1998</u>		<u>1997</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable securities - common stocks	\$ 857,772	\$ 1,332,111	\$551,493	\$ 698,341

**Mutual Aid Fund Trust
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**Notes to Financial Statements
December 31, 1998 and 1997**

Note 1- Significant accounting policies (continued)

The following summarizes the relationship between carrying values and market values of investment assets:

	<u>Carrying value</u>	<u>Market value</u>	<u>Unrealized gains (losses)</u>
Balance, December 31, 1997	<u>\$ 716,364</u>	<u>\$ 698,341</u>	<u>(\$ 18,023)</u>
Balance, December 31, 1998	<u>\$ 856,299</u>	<u>\$1,332,111</u>	<u>\$ 475,812</u>

Software

The cost of software is being amortized over the estimated useful life of the asset using the straight line method.

Concentrations of Credit Risk

The Trust's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents. As of December 31, 1998, the trust maintains its cash accounts primarily in a Hawaii bank. The total cash balances are insured by the FDIC up to \$100,000 per bank. The trust had cash balances at this bank on December 31, 1998 that exceeded the balance insured by the FDIC in the amount of \$547,400.

Note 2 - Note Receivable

On November 24, 1998, the trust invested \$250,000 in Best Rescue Systems, Inc. (Best). The invested amount is evidenced by a promissory note bearing interest at 18% per annum, with interest only payable each month. The note is secured by all property, equipment, and assets of Best and all shares of stock in Best owned by Robert Kirkland. Subsequent to December 31, 1998, the trust invested an additional \$350,000 into Best on the same basis. The trust has an option to convert its investment into common stock of Best after a due diligence period.

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**Notes to Financial Statements
December 31, 1998 and 1997**

Note 3 - Organization and purpose

The United Public Workers Mutual Aid Fund Trust is a voluntary hospital benefit plan established for the benefit of the members and employees of the United Public Workers, AFSCME, Local 646, AFL-CIO and their families. It is the purpose of this Trust to assist members when they are hospitalized. Members, employees and their family members may voluntarily contribute \$1 per month to the Trust, entitling them to a hospital benefit of \$30 per day while hospitalized for a maximum period of 60 days per year.

Note 4 - Income tax status

The Trust is exempt from federal income tax under IRC Sec. 501 (c)(9), and state income tax under HRS 235-9. The Trust is exempt from income taxes as a welfare benefit plan, and is subject to the provisions of the Employee Retirement Income Security Act of 1974.

Note 5 - UPW administrative service fees

The Trust pays the United Public Workers, AFSCME, Local 646, AFL-CIO a monthly fee of \$2,000 for processing member claims, rent, computer maintenance, supplies and utilities.